

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of the Application of
GOLDEN STATE WATER COMPANY
(U 133 W) for an Order authorizing it to
Increase Rates for Water Service by
\$2,812,100 or 32.61% in 2008; by \$-
178,700 or -1.51% in 2009; and by
\$109,900 or 0.92% in 2010 in its Arden
Cordova Customer Service Area.

A.07-01-009

A.07-01-010

A.07-01-011

A.07-01-012

A.07-01-013

A.07-01-014

A.07-01-015

And Related Matters.

**REPLY COMMENTS OF GOLDEN STATE WATER COMPANY (U 133 W)
TO THE COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES
ON THE PROPOSED DECISION OF ALJ DeANGELIS**

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I. INTRODUCTION

One thing is patently clear from the Division of Ratepayer Advocates' (DRA) Comments on the Proposed Decision of Administrative Law Judge DeAngelis: DRA apparently believes that it is infallible. In DRA's opinion, its analyses of Golden State Water Company's (GSWC) requested labor positions and capital projects are the only analyses that can be correct.

So the fact that the Proposed Decision approves GSWC's requests in the overwhelming majority of the issues that were litigated throws DRA out of kilter. DRA resorts to accusing the Proposed Decision of being "arbitrary, capricious and whimsical," based on "speculation," "misunderstandings," and "conjecture," replete with "multiple legal errors," and generally "unfair" and "unjustifiable." DRA also accuses the Proposed Decision of disregarding evidence submitted by DRA that rebuts GSWC's rate requests. DRA Comments, *passim*.

The Commission should disregard DRA's comments entirely. The Proposed Decision is the result of a detailed, comprehensive and thoughtful evaluation by Administrative Law Judge DeAngelis of the entire extensive evidentiary record in this proceeding. Indeed, Administrative Law Judge DeAngelis demonstrates her mastery of the evidentiary record for each issue that was litigated in her discussion of the parties' testimony and exhibits, followed by her analysis of the evidence and the merits of each parties' position. DRA's comments miss the mark.

II. THE PROPOSED DECISION IS RIGHT TO INCLUDE THE WATER ACTION PLAN'S POLICY OBJECTIVES IN ITS DECISIONMAKING.

The Commission adopted the Water Action Plan in December 2005. The Water Action Plan identifies the policy goals and objectives that guide the Commission in regulating investor-owned water utilities throughout the State of California. DRA argues that the Proposed Decision “commits multiple legal errors by applying the ‘goals of the Water Action Plan’ as dispositive legal criteria for granting GSWC’s proposed increases.” DRA Comments at 6. DRA is wrong for several reasons.

To begin, DRA is wrong to describe the consideration the Proposed Decision gave to the Water Action Plan as “dispositive legal criteria.” DRA’s mischaracterization is plainly seen by reading the full context of each paragraph in which the Proposed Decision makes reference to the Water Action Plan. The proper interpretation of the Proposed Decision’s reference to the Water Action Plan is to state that the Proposed Decision considered whether GSWC’s requests for capital projects and new labor positions could improve water quality, increase reliability of water service, and/or upgrade aging infrastructure – all of which are policy objectives of this Commission set forth in the Water Action Plan.

Further, this Commission stated over two years ago in the Water Action Plan that the “CPUC is responsible for ensuring that the utilities deliver clean, safe, and reliable water to their customers at reasonable rates.” Water Action Plan at 3. The Commission’s objectives in regulating water utilities rest on the key principles in the above sentence. The Water Action Plan then builds off the principles, having developed six objectives, each with a series of actions that advance and implement the objectives. In this proceeding, the Proposed Decision was carrying out its responsibilities under the Water Action Plan.

DRA is surely aware of the Water Action Plan and the role it plays in how the Commission regulates its water utilities. Yet, DRA argues in its comments that “if the Commission intended to make the Water Action Plan’s guidelines an explicit set of criteria for determining if a given capital project would be approved by the Commission, it should have made its intentions known *ab initio*.” DRA Comments at 8. GSWC submits that the Commission made its intentions clearly known in December 2005 when it adopted the Water Action Plan.

Lastly, it seems DRA is willing to embrace the Water Action Plan when it suits its purposes. At page 5 of its Comments, DRA turns for support to the Water Action Plan when arguing that the rates adopted by the Proposed Decision must be “reasonable.” To later argue that the Proposed Decision erred in even considering the Water Action Plan when deciding to approve one of GSWC’s capital project requests, over DRA’s opposition, is disingenuous at best.

The Commission should ignore DRA’s complaint that the Proposed Decision erred in considering the Water Action Plan in the context of GSWC’s capital project requests.

III. THE PROPOSED DECISION’S APPROVAL OF NEW LABOR POSITIONS AND CAPITAL PROJECT BUDGETS IS FIRMLY SUPPORTED BY THE EVIDENTIARY RECORD.

The Commission’s Rules of Practice and Procedure make clear that if comments on a proposed decision reargue positions taken in brief, the comments will be accorded no weight. Such is the proper treatment to be given to DRA’s comments, which simply reargue DRA’s testimony and the “points” made in its trial briefs. Sweeping generalizations that the Proposed Decision must have engaged in speculation, conjecture, whimsy, and other pejorative adjectives to

reach the outcome that it did are also leveled at the Proposed Decision's discussion of every issue the DRA "lost." DRA's arguments are without merit.

Given the five page limitation for these reply comments, GSWC can address only a few examples of the errors in DRA's arguments. For example, at pages 13 and 14 of its Comments, DRA argues that GSWC did not submit any evidence to support its request at the Rosina Plant. Yet DRA then cites to ten pages of GSWC witness Gisler's testimony in Exhibit GSW(all)-22, which discusses this project. Mr. Gisler also submitted workpapers which detailed the cost estimates for this project.

At page 17 of its Comments, DRA argues that GSWC did not rebut any of the points DRA's witness made regarding the need for a backup generator at the Sisquoc well. DRA is wrong – GSWC witness Gisler rebutted DRA's testimony in his Exhibit GSW(all)-22. GSWC's rebuttal clearly addresses the fallacy of providing reliable water supply based on a portable generator that is located elsewhere and very possibly not available during an outage, as it may already be in use within another system. DRA indicates the Sisquoc system can rely on water supply from the single storage tank for 4.5 hours while GSWC attempts to locate, transport, and connect a portable generator. DRA's estimate of 4.5 hours water supply without power is overly optimistic resulting from their unreasonable assumption the tank will be totally full when the power outage occurs. Contrary to DRA's comments, GSWC provided sound justification in support of a backup generator within Sisquoc.

At page 18 of its Comments, DRA discusses the La Serena project. DRA misstates the record when it continues to claim that GSWC unlawfully placed nearly \$4 million of capital costs in rate base with out Commission authorization and that customers "have been bearing unauthorized rate burdens." As stated in GSWC's rebuttal testimony on this argument, this rate case was the first opportunity GSWC had to request inclusion of this amount in rates, other than a

small amount which had previously been authorized by the Commission. Prior to implementation of rates in 2008 in this proceeding, GSWC shareholders have been bearing the burden of this investment. The Proposed Decision was correct to ignore DRA's erroneous contentions.

Lastly, at page 23 of its Comments, DRA alleges that the water supply operator positions that GSWC seeks approval of in this case have already been approved in some prior general rate case. Yet DRA does not cite to any evidence in this record that would prove that fact. And that is because it's not true. The last full GRC for these Region I customer service areas was in 2000. That case did not seek, or authorize, the two new water supply operator positions that GSWC seeks here. The Proposed Decision has correctly analyzed the need for these two new positions, and the labor expenses associated with the positions. Based on that evidence, the Proposed Decision authorizes GSWC to include the costs associated with these positions beginning in 2008.

The Proposed Decision of ALJ DeAngelis is thorough, detailed, and well reasoned. The Proposed Decision did not agree with DRA's opinion on every issue in this case, but there is nothing wrong with that. The Proposed Decision is supported by the evidentiary record, as it should be. DRA's challenge to the Proposed Decision is without merit and should be disregarded.

Dated: January 14, 2008

Respectfully submitted,

Patricia A. Schmiede
Law Office of Patricia A. Schmiede

_____/s/_____

Patricia A. Schmiede
Attorney for Applicant
Golden State Water Company

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **“REPLY COMMENTS OF GOLDEN STATE WATER COMPANY (U 133 W) TO THE COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE PROPOSED DECISION OF ALJ DeANGELIS”** on all known parties to A.07-01-009, et al., by sending the entire document as an attachment to all parties who provided electronic mail addresses to the Commission, as follows: rmd@cpuc.ca.gov; cwl@cpuc.ca.gov; vcc@cpuc.ca.gov; flc@cpuc.ca.gov; snr@cpuc.ca.gov; jkersnar@ojaicity.org; kstaples@verizon.net; enriqueg@lif.org; wdmiley@aol.com; kcouturie@pobox.com; kswitzer@gswater.com; jgaron@gswater.com; rkmoore@gswater.com .

Executed on January 14, 2008 at San Rafael, California.

_____/s/_____
Patricia A. Schmiede